

Message Text

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ORIGIN TRSE-00

INFO OCT-01 EUR-12 IO-14 ISO-00 EB-07 FEA-01 AGRE-00
CEA-01 CIAE-00 COME-00 DODE-00 FRB-01 H-02 INR-07
INT-05 L-03 LAB-04 NSAE-00 NSC-05 PA-02 EPG-02
AID-05 SS-15 STR-04 ITC-01 USIA-15 PRS-01 SP-02
OMB-01 /111 R

DRAFTED BY TREAS:RSELF:MH
APPROVED BY EB/OT/STA:JSSPIRO
EUR/NE:DGOODMAN
-----028180 220455Z /10

R 211946Z JUL 77
FM SECSTATE WASHDC
TO AMEMBASSY OSLO
INFO USMISSION GENEVA
AMEMBASSY PARIS
AMEMBASSY BERN
AMEMBASSY BRUSSELS
AMEMBASSY STOCKHOLM

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USMISSION FOR USMTN, USOECD

E.O. 11652: N/A

TAGS: ETRD, NO

SUBJECT: COUNTERVAILING DUTY INVESTIGATION--SHIPMENTS OF
NORWEGIAN CHEESE

1. THERE FOLLOWS THE TEXT OF A LETTER FROM TREASURY
DEPUTY ASSISTANT SECRETARY SUCHMAN TO THE NORWEGIAN
AMBASSADOR IN WASHINGTON CONCERNING STEPS TREASURY IS
CONSIDERING TO RESOLVE THE PROBLEM OF TRANSSHIPMENTS OF
NORWEGIAN CHEESE EXPORTS TO THE U.S. VIA A THIRD COUNTRY.
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2. BEGIN TEXT:

DEAR MR. AMBASSADOR:

I WANTED TO BRING TO YOUR ATTENTION A PROBLEM THAT HAS
DEVELOPED IN CONNECTION WITH THE RESOLUTION OF THE COUNTER-

VAILING DUTY INVESTIGATION BY THE TREASURY DEPARTMENT CONCERNING CHEESE IMPORTS FROM YOUR COUNTRY. AS YOU ARE AWARE, THE TREASURY DETERMINED THAT THE GOVERNMENT OF NORWAY SUBSIDIZED CHEESE EXPORTS, EXCEPT JARLSBURG, TO THE U.S. ON MAY 28, 1976. COUNTERVAILING DUTIES WERE WAIVED BECAUSE THE SUBSIDY ON JARLSBURG, WHICH ACCOUNTS FOR OVER 90 PERCENT OF NORWEGIAN CHEESE EXPORTS TO THE U.S., WAS ELIMINATED THROUGH PRICE REVISION.

DURING THE LAST SIX MONTHS IT HAS COME TO OUR ATTENTION THAT CERTAIN SHIPMENTS OF NORWEGIAN JARLSBURG ARE BEING EXPORTED TO THIS COUNTRY AT SUBSIDIZED PRICES. THIS HAS BEEN ACCOMPLISHED BY FIRST SHIPPING THE CHEESE TO A THIRD COUNTRY. SINCE IT IS OUR UNDERSTANDING THAT PRICE ADJUSTMENTS WERE MADE FOR JARLSBURG SHIPPED TO THE U.S. ONLY, SALES TO OTHER COUNTRIES WOULD BE AT SUBSIDIZED PRICES. THE EVIDENCE INDICATES THAT SOME IMPORTERS IN CONCERT WITH EXPORTERS AND WHOLESALERS ABROAD HAVE ARRANGED SHIPMENTS FROM NORWAY TO A THIRD COUNTRY FROM WHICH THE SUBSIDIZED CHEESE IS RE-EXPORTED TO THE U.S.

THE NORWEGIAN DAIRY SALES ORGANIZATION UNDERSTANDABLY HAS BEEN CONCERNED ABOUT THIS SITUATION SINCE IT TENDS TO UNDERCUT PRICES OF DIRECT SALES BY THE ORGANIZATION TO MOST U.S. IMPORTERS. THE ORGANIZATION HAS INFORMED US THAT IT HAS ATTEMPTED TO DISCOURAGE THIS PRACTICE TO THE BEST OF ITS ABILITY, BUT IN THE LAST ANALYSIS IT IS THE UNCLASSIFIED

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RESPONSIBILITY OF THE TREASURY DEPARTMENT TO PREVENT EFFORTS AT CIRCUMVENTION OF ARRANGEMENTS WORKED OUT BETWEEN OUR GOVERNMENTS. WHILE THE THIRD COUNTRY SHIPMENT PROCEDURE IS UNQUESTIONABLY THE EXCEPTION RATHER THAN THE RULE, THERE IS A GROWING FEELING AMONG IMPORTERS OF NORWEGIAN JARLSBURG AND THE U.S. INDUSTRY THAT THE ADJUSTMENTS TO PRICES MADE ON JARLSBURG TO ELIMINATE THE COUNTERVAIL PROBLEM ARE BEING UNDERMINED.

ACCORDINGLY, THE TREASURY IS CONSIDERING REQUIRING THAT CHEESE IMPORTS FROM NORWAY, AS WELL AS SOME OTHER SUPPLYING COUNTRIES WHERE SIMILAR PROBLEMS HAVE ARISEN, BE ACCOMPANIED WITH A "THROUGH-BILL-OF-LADING" DOCUMENT. THIS WOULD INSURE THAT IMPORTERS IN THIRD COUNTRIES COULD NOT TRANSSHIP CHEESE TO THE U.S. AT MORE ATTRACTIVE PRICES. THIS DOCUMENT IS FAMILIAR TO FOREIGN EXPORTERS AND U.S. IMPORTERS SINCE IT IS REQUIRED FOR CHEESE SHIPMENTS COVERED BY IMPORT LICENSES UNDER SECTION 22 OF THE AGRICULTURAL ADJUSTMENT ACT. TO ENFORCE THE "THROUGH-BILL-OF-LADING" PROCEDURE, OUR COUNTERVAIL DUTY DETERMINATIONS AND WAIVERS WITH RESPECT TO CHEESE IMPORTS OF NORWAY AND THE OTHER COUNTRIES CONCERNED WOULD BE AMENDED TO ENABLE

CUSTOMS OFFICERS TO ASSESS APPROPRIATE COUNTERVAILING DUTIES WHENEVER IT IS FOUND THAT CHEESE COMING FROM THESE COUNTRIES DOES NOT HAVE SUCH A DOCUMENT. IN THE CASE OF NORWAY, IT WOULD BECOME NECESSARY TO REVISE OUR ORIGINAL COUNTERVAILING DUTY NOTICE TO INDICATE THAT BOUNTIES OR GRANTS ARE BEING PAID ON JARLSBURG IMPORTS

FROM THIRD COUNTRIES WHENEVER THE F.O.B. PRICE IN NEW YORK IS BELOW \$1.43 A POUND. THIS AMOUNT REFLECTS THE 33 CENTS PER POUND INCREASE THAT WAS MADE IN 1976 AS A RESULT OF OUR AGREEMENT, TO ELIMINATE THE "BOUNTY OR GRANT" WE HAD DETERMINED TO EXIST. WE WILL ASSUME THESE CALCULATIONS REMAIN VALID UNLESS NEW INFORMATION IS BROUGHT TO OUR ATTENTION. OUR REVISED NOTICE WOULD

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EMPHASIZE THAT THE INCLUSION OF JARLSBURG IN THE COUNTERVAILING DUTY DETERMINATION IS BASED SOLELY ON OCCASIONAL SHIPMENTS THROUGH THIRD COUNTRIES.

WE PLAN TO IMPLEMENT THIS PROCEDURE BY SEPTEMBER 1. WE WOULD APPRECIATE HAVING ANY COMMENTS YOUR GOVERNMENT MAY WISH TO BRING TO OUR ATTENTION CONCERNING THIS PROPOSAL. LET ME ASSURE YOU THAT WE APPRECIATE THE SENSITIVITY OF THIS MATTER AND FOR THIS REASON BELIEVE IT IS IN OUR MUTUAL INTEREST TO RESOLVE THIS LATEST PROBLEM IN THE SHORTEST POSSIBLE TIME. I LOOK FORWARD TO HEARING FROM YOU.

SINCERELY YOURS,

PETER O. SUCHMAN (DATED 7/21/77)
END TEXT. VANCE

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Copy: SINGLE
Sent Date: 21-Jul-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01-Jan-1960 12:00:00 am
Disposition Event:
Disposition History: n/a
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Enclosure: n/a
Executive Order: N/A
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Handling Restrictions: n/a
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To: OSLO
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